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March 5, 1997

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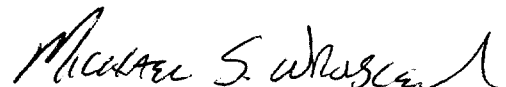
Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: CC Docket No. 96-128, Ex Parte Presentation

Dear Mr. Caton:

This letter is to advise you that Michael S. Wroblewski on behalf of Peoples Telephone Company, Inc. ("Peoples") met with Craig Brown, Michelle Carey, Christopher Heimann, Radhika Karmarkar, Brent Olson, Michael Pryor and Ann Stevens to discuss matters involved in the various Bell Company CEI Plans in the above-captioned proceeding. The attached handout formed the basis of this discussion. Pursuant to Section 1.1206(a)(2) of the Commission's Rules, two copies of this letter have been filed with the Secretary. Please contact the undersigned if there are any questions regarding this matter.

Respectfully submitted,


Michael S. Wroblewski

cc: Craig Brown
Michelle Carey
Christopher Heimann

Radhika Karmarkar
Brent Olson
Michael Pryor

Ann Stevens

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Peoples Telephone Company Inc.
Presentation
on Bell Company CEI Plans
March 4, 1997

Overview of Peoples Telephone Company

- Operates approximately 38,000 payphones in 41 States and the District of Columbia with its largest concentration of payphones in California, Florida and Texas.
- Publicly-traded on the American Stock Exchange.
- Utilizes AT&T as the key national interLATA operator services provider to provide operator services at dominant carrier rates.
- Holds regional and national accounts with nationally recognized companies, including McDonalds, Kroger, Albertsons, Southland and Eckerds.
- Peoples' payphones average 665 total calls per month.
- Average LEC line and local usage charges are approximately \$60/month/payphone (which is \$.09 per call).

**Table 1 -- Typical Payphone Profile:
Number of Calls**

Type of Call	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>Avg.</u>
0+/00/0-	30	38	32	31	34	36	33
Access Code	37	45	41	41	47	49	43
Subscriber	69	81	84	85	92	103	86
DA	12	16	15	15	15	16	15
Emergency	2	2	2	2	2	2	2
All Coin	402	527	477	473	506	531	485
Other	1	1	1	1	1	1	1
Grand Total	554	709	652	649	698	738	665

Table 2 -- Direct Costs

<u>Cost Category</u>	<u>Per Payphone Basis</u>	<u>Per Call Basis*</u>
Direct Costs per Month:		
LEC Line Charges	\$60.35	\$0.09
Premises Owners Commissions	62.17	0.09
Field Service/ Collection Costs	44.20	0.07
Other Costs	<u>10.38</u>	<u>0.02</u>
Total Direct Costs	\$177.10	\$0.27
Overhead (SG&A)	26.90	0.04
Depreciation/Interest**	<u>61.06</u>	<u>0.09</u>
Total Costs -- PreTax	\$265.06	\$0.40
10% Return on Assets***	27.93	0.04
Income Taxes	<u>16.76</u>	<u>0.02</u>
Total Costs + Reasonable Return	\$309.75	\$0.46

* Assumes an average call volume of 665 calls per month.

** Only includes depreciation and interest expense that relate to Peoples' payphone assets.

*** Peoples' payphone net asset base is \$129,031,557; the 10% rate of return approximates a reasonable cost of capital.

The Commission's Challenge to Meet its Section 276 Mandate

- Section 276 requires LECs to cease subsidizing payphone operations from network operations and to not discriminate in favor of LEC payphones services.
- BOC CEI Plans generally fail to recognize or reflect this changed landscape.
 - Federal tariffing requirements
 - Installation and maintainance
 - CPNI safeguards
 - Network disclosure

Practical Effects of the Order

- Order requires unbundling of COCOT lines and coin lines.
- IPPs have invested in “smart sets” although coin lines have been available for several years.
- The FCC faces a dilemma in ensuring that LECs no longer subsidize or discriminate in terms of:
 - OSP services,
 - Flexible call rating, and
 - Rates for COCOT lines and coin lines.

Interconnection Pricing

- BOCs must tariff unbundled features or functions with the state and federal jurisdictions (Recon ¶ 162)
- Principles for LEC payphone services tariffs:
 - Cost-based, free of subsidies and nondiscriminatory
- Many BOCs use measured rates for COCOT lines and flat rates for coin lines that fail to consider the volume of calls made from IPPs' payphones.
- Many BOCs provide answer supervision and/or blocking/screening for coin lines, but not COCOT lines, thus IPPs have no basis to determine if these services comply with the tariff principles.

Unbundled Services that Must be Offered on a Nondiscriminatory Basis (Order ¶ 149)

- Fraud protection (Call Screening/Blocking)
 - Nondiscriminatory offering of call screening, billed number screening and international toll blocking.
 - BOCs should not be able to bundle these services with other services unrelated to fraud protection.
- Special number assignment
 - FCC should ensure that 8000 and 9000 number series blocks are assigned in a nondiscriminatory manner.

Nondiscriminatory Installation and Maintenance

- BOCs are required to offer installation and maintenance on a nondiscriminatory basis.
 - BOC payphone personnel should not be allowed direct access to any ordering systems because IPP personnel do not have such access.
 - The same procedures should be used whenever a payphone customer changes PSPs and new lines are installed.
 - No tracking mechanism is in place to verify compliance.

Customer Proprietary Network Information Requirements

- 3 classes of CPNI must be protected.
 - CPNI of customers, which are also location providers, should not be available to a BOC's payphone operations.
 - CPNI of IPPs should not be made available to a BOC's payphone operations.
 - CPNI of new customers must be used in a nondiscriminatory fashion.
 - Verification procedures must be established.

Network Disclosure Requirements

- Plans for network switch removals, installations and replacements should be made available.
- Currently it is very difficult to obtain information on changes in network offering (calling area, extended areas, etc.)
- Same network change information should be made available to PSPs on a nondiscriminatory basis.

Remedies

- Pricing of network services for unbundled elements must be cost-based and free of subsidies.
- Service order processing, installation and repairs must be nondiscriminatory.
- Verification procedures regarding CPNI and network disclosure must be implemented.